

FSCA warns against investing in crypto assets

By [Natalie Scott & Kyra South](#)

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The Financial Sector Conduct Authority (FSCA) has again warned of a number of high risks associated with investing in crypto assets, in the wake of the recent Mirror Trading International Proprietary Limited debacle.



[123rf.com](#)

It said in a press release that:

- crypto investment firms (i) overstate the amount of expected returns on investments and (ii) understate the high risks and price volatility associated with crypto asset investments;
- once an investor has invested in crypto assets, there is no guarantee that said investor will receive his/ her/ its initial investment back, and as such, investors must be prepared to lose 100% of his/ her/ its investment; and
- unlike fiat currencies and other commodities, the price of crypto assets is exclusively determined by consumer sentiment, which results in high price volatility.



Mirror Trading International exposed: #MTILeaks reveal trading data

22 Sep 2020



On 20 November 2020, the FSCA published a draft declaration in which the FSCA proposes to regulate crypto assets by bringing crypto assets within the ambit of the definition of financial product in Section 1 of the Financial Advisory and Intermediary Services Act 37 of 2002. The publication of the Draft Declaration is indicative of the increasing number of South African investors who are opting to invest in crypto assets without the protection typically afforded to South African investors, which leaves said investors vulnerable to unlicensed, unqualified and/or unscrupulous service providers.



FSCA takes first steps in the regulation of crypto assets

Desiree Reddy 24 Nov 2020



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